

OKTIBBEHA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

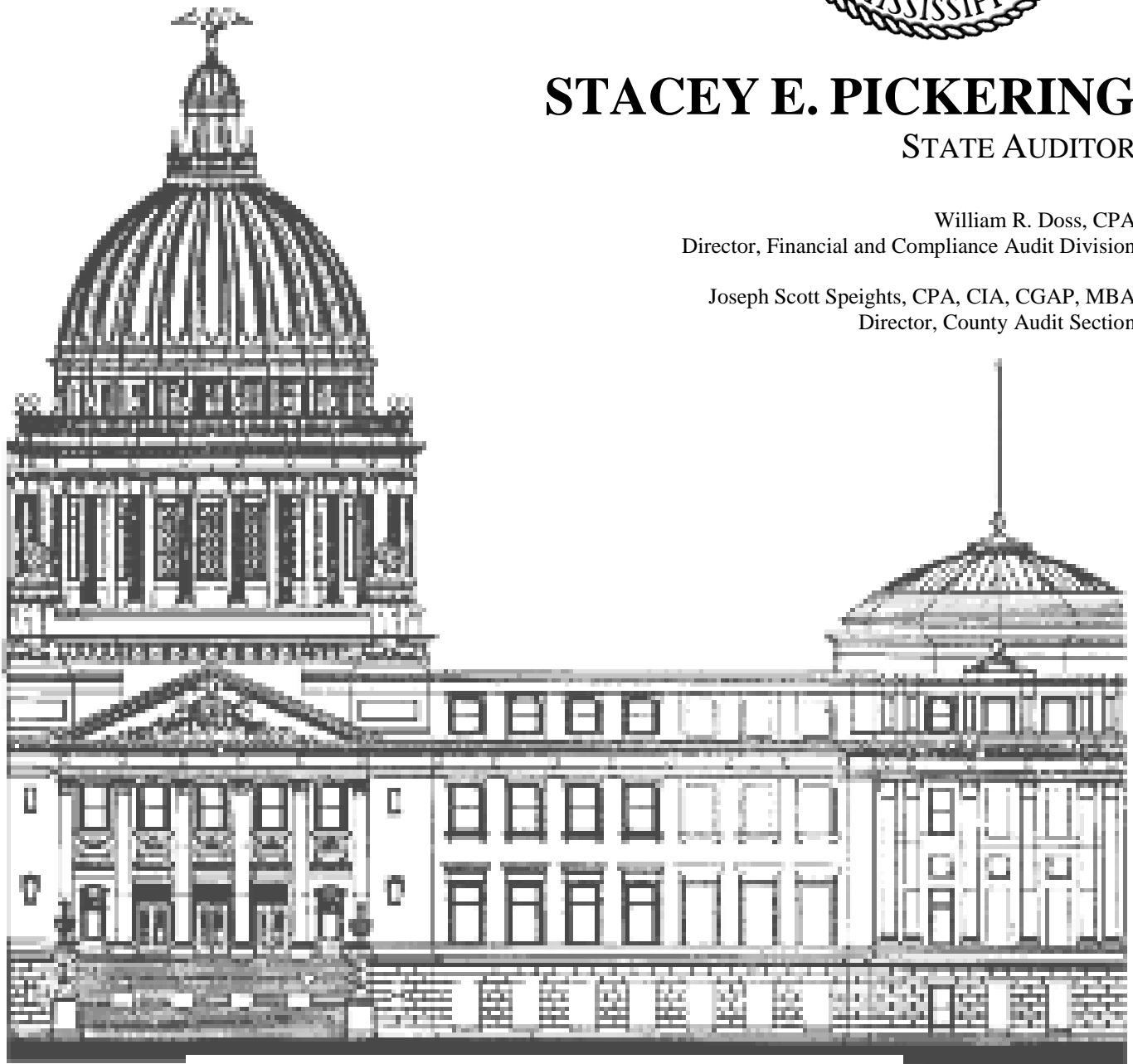


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

April 2, 2013

Members of the Board of Supervisors
Oktibbeha County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Oktibbeha County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Oktibbeha County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Oktibbeha County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

OKTIBBEHA COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	15
Statement of Net Assets	17
Statement of Activities	18
Balance Sheet – Governmental Funds	19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Statement of Fiduciary Assets and Liabilities	23
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	41
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	43
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Countywide Road Maintenance Fund	44
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Countywide Bridge and Culvert Fund.....	45
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – OCH Construction Fund.....	46
Notes to the Required Supplementary Information	47
SUPPLEMENTAL INFORMATION	49
Schedule of Expenditures of Federal Awards.....	50
SPECIAL REPORTS.....	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	55
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	57
Limited Internal Control and Compliance Review Management Report	63
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	67

OKTIBBEHA COUNTY

FINANCIAL SECTION

OKTIBBEHA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Oktibbeha County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues and expenses of the discretely presented component unit would have been presented as \$113,856,804, \$29,573,471, \$84,283,333, \$62,119,277 and \$60,881,708 respectively.

As discussed in Note 10 to the financial statements, the county has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of Oktibbeha County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of Oktibbeha County, Mississippi, as of September 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2013, on our consideration of Oktibbeha County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Oktibbeha County, Mississippi, has not presented the Schedule of Funding Progress – Other Postemployment Benefits that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oktibbeha County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 2, 2013

OKTIBBEHA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY

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**OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

INTRODUCTION

The discussion and analysis of Oktibbeha County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2011. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 — Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Oktibbeha County is located in northeastern Mississippi. The population, according to the 2010 census is 47,671. The local economic base is driven mainly by Manufacturing, Research/Technology, and Mississippi State University.

FINANCIAL HIGHLIGHTS

Oktibbeha County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Oktibbeha County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net assets decreased \$7,537,350 which represents a decrease of 22.86% from the prior fiscal year. The County's ending cash balance decreased by \$10,833,997 from the prior fiscal year.

The County had \$22,699,751 in total revenues. Tax revenues account for \$13,686,821 or 60.29% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$4,424,827 or 19.49% of total revenues.

The County had \$30,237,101 in total expenses, which represents an increase of \$3,543,095 or 13.27% increase from the prior fiscal year. Expenses in the amount of \$5,908,121 were offset by charges for services, grants or outside contributions. General revenues of \$16,791,630 and prior year bond proceeds for the hospital construction project were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$10,484,959 in revenues and \$9,504,035 in expenditures. The General Fund's fund balance increased by \$833,111, which included excess revenues over expenses of \$980,924, less the net effect of proceeds received from the sale of capital assets in the amount of \$9,888, the transfer of \$225,000 obligation to provide matching funds to the Superintendent of Education Building Project, and the issuance of capital debt of \$67,299 for a new computer system to be utilized by the County Administration, Circuit Clerk, Elections and Justice Court.

Among major funds, the Countywide Road Maintenance Fund had \$2,834,669 in revenues and \$3,016,812 in expenditures. Proceeds of \$380,000 from the sale of capital assets contributed to the net increase of \$197,857 in fund balance over the prior fiscal year.

Among major funds, the Countywide Bridge and Culvert Fund had \$2,069,491 in revenues and \$1,905,085 in expenditures. The Countywide Bridge and Culvert Fund's fund balance had an increase of \$164,406 from the prior year.

Among the major funds the OCH Construction Fund had \$10,301 in interest revenue and \$13,056,696 in expenditures which included \$780,715 in interest payments on the bonds. Expenditures exceeded revenues by \$13,046,395 which was covered by the proceeds from the issuance of General Obligation Bonds in the prior year. The decrease in the Fund's fund balance was \$13,046,395.

Capital assets, net of accumulated depreciation, increased by \$1,815,651.

Long-term debt decreased by \$465,595

OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

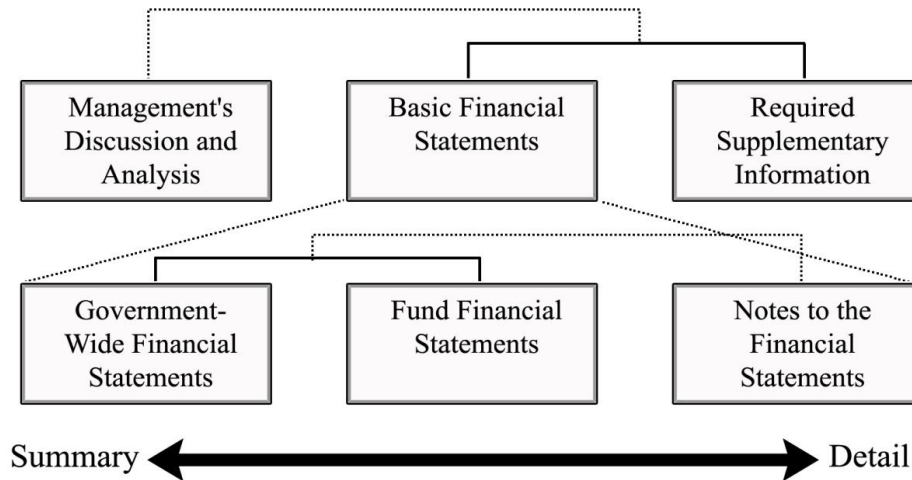


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Figure 2 — Major Features of the County's Government-Wide and Fund Financial Statements

	Government Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	The County is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues expenditures and changes in fund balances 	Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). However, the county had no business-type activities. The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; conservation of natural resources; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 17 and 18 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

The County maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 19 and 21 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 23 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 25 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 43 through 45 of this report. Additionally a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 50 of this report.

OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets —Net assets may serve over time as a useful indicator of government's financial position. In the case of Oktibbeha County, assets exceeded liabilities by \$25,430,325, as of September 30, 2011.

By far, the largest portion of the County's net assets 160.86% reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2011 as compared to September 30, 2010.

	Governmental Activities 2011	Governmental Activities 2010
Current assets	\$ 28,520,479	39,866,371
Capital assets, net	42,434,822	40,619,171
Total assets	<u>70,955,301</u>	<u>80,485,542</u>
Current liabilities	15,328,440	1,685,573,616
Long-term debt outstanding	30,196,536	30,662,131
Total liabilities	<u>45,524,976</u>	<u>47,517,867</u>
Net assets:		
Invested in capital assets, net of related debt	40,908,898	38,719,897
Restricted	5,094,261	2,737,789
Unrestricted	(20,572,834)	(8,490,011)
Total net assets	<u>\$ 25,430,325</u>	<u>32,967,675</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- \$12,275,981 OCH construction cost was paid from bond proceeds received in a prior period which was reflected in the September 2010 Current Assets. The payment of this cost had a significant impact in Cash on the Statement of Net Assets for the period ending September 2011.

Changes in Net Assets — Oktibbeha County's total revenues for the fiscal year ending September 30, 2011 was \$22,699,751. The total cost for all services provided was \$30,237,101. The decrease in net assets was \$7,537,350.

OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2011.

	Current Year Amount	Prior Year Amount
Revenues:		
Program revenues:		
Charges for services	\$ 2,500,830	2,247,572
Operating grants & contributions	1,391,015	764,270
Capital grants & contributions	2,016,276	1,800,663
General revenues:		
Property taxes	13,686,821	11,424,582
Road & bridge privilege taxes	411,190	409,395
Grants & contributions not restricted to specific Programs	1,017,536	988,634
Unrestricted interest income	102,024	195,851
Miscellaneous	1,574,059	306,168
Total Revenues	<u>22,699,751</u>	<u>18,137,135</u>
Expenses:		
General government	5,360,550	5,137,197
Public safety	4,540,897	4,656,096
Public Works	4,801,888	4,419,820
Health and welfare	14,013,251	11,240,444
Culture and Recreation	178,468	172,870
Education	54,967	50,010
Conservation of natural resources	122,345	188,221
Economic development & assistance	65,791	21,513
Interest on long-term debt	1,098,944	807,835
Total Expenses	<u>30,237,101</u>	<u>26,694,006</u>
Change in net assets	<u>(7,537,350)</u>	<u>(8,556,871)</u>
Prior period adjustment	\$ <u>-0-</u>	<u>(1,679,011)</u>

Governmental Activities - The following table presents the cost of the major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Education, Conservation of Natural Resources, Economic Development and Assistance and Interest on Long Term Debt.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity). The net cost shows the financial burden that was placed on Oktibbeha County's taxpayers by each of these functions.

	Total Cost	Net Cost
General government	\$ 5,360,550	4,099,602
Public safety	4,540,897	3,687,118
Public works	4,801,888	1,951,278
Health and welfare	14,013,251	13,981,988
Culture & recreation	178,468	178,468
Education	54,967	-856,554
Conservation of natural resources	122,345	122,345
Economic development & assistance	65,791	65,791
Interest on long term debt	\$ 1,098,944	1,098,944

OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds — At the close of the fiscal year, Oktibbeha County's governmental funds reported a combined fund balance of \$12,020,213 a decrease of \$9,912,076 from the prior fiscal year. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

The county expenditures exceeded revenues by \$10,511,587; however, the use of other financing sources which included the proceeds provided from the sale of capital assets, the issuance of long-term capital debt off-set the excess of revenues under expenditures by \$599,511. Proceeds of a prior year bond issue were also used to fund these expenditures.

The General Fund is the principal operating fund of the County, and did have an increase in the year-end fund balance over the prior year of \$833,111.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Oktibbeha County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

Budgeted revenues from state and federal sources were amended to account for grants awarded.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2011, Oktibbeha County's total gross capital assets were \$97,948,428. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$2,419,451. This includes new mobile equipment, office equipment and \$2,542,065 of bridge and road projects completed in 2011.

Total accumulated depreciation as of September 30, 2011 was \$55,513,606 including \$1,241,775 of depreciation expense for the current year. The balance in total net capital assets was \$42,434,822 at year-end.

Additional information on Oktibbeha County's capital assets can be found in note 7 on page 32 of this report.

Debt Administration — At September 30, 2011, Oktibbeha County had \$30,196,536 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt \$1,197,962 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt as of September 30, 2011 was equal to 8.38% of the latest property assessments.

Additional information on Oktibbeha County's long-term debt can be found in note 11 on page 35 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

As in the past few years Oktibbeha County has managed to grow in spite of economic conditions around us. Mississippi State University is still growing at a steady pace which creates the need for more and more rental property to house the increase in student population. One large complex was completed just in time for fall enrollment and the groundwork for another large complex has just been laid. The following list of new businesses in Starkville shows the County's growth: Tractor Supply, Waffle House, Suntastic Tanning Salon, Newk's Sandwich Shop, Buffalo Wild Wings, Chick-fil-A, C-Spire, AT&T, La Quinta Inn, The Point (second Phase), Starkville Women's Clinic, two new Dollar General stores, Advanced Auto Parts, and the new Renaissance Bank. The residential housing market continues to flourish and the demand for condominiums has increased as industry gradually grows and Starkville continues to attract retirees that want to be in or near a university town. With continued growth in new students and new retirees, additional food service and housing will continue to grow.

OKTIBBEHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Oktibbeha County Administrator's/Chancery Clerk's office at P.O. Box 80285, Starkville, Mississippi 39759.

OKTIBBEHA COUNTY

FINANCIAL STATEMENTS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 14,028,170
Cash with fiscal agent	725
Property tax receivable	12,558,161
Accounts receivable (net of allowance for uncollectibles of \$1,648,611)	275,374
Fines receivable (net of allowance for uncollectibles of \$6,051,103)	486,947
Loans receivable (net of allowance for uncollectibles of \$374,698)	0
Intergovernmental receivables	307,776
Other receivables	173,671
Deferred charges - bond issuance costs	689,655
Capital assets:	
Land and construction in progress	4,343,994
Other capital assets, net	38,090,828
Total Assets	<u>70,955,301</u>
LIABILITIES	
Claims payable	1,793,871
Intergovernmental payables	354,167
Accrued interest payable	280,150
Deferred revenue	12,558,161
Unearned revenue	18,084
Amounts held in custody for others	72,676
Claims and judgments payable	251,331
Long-term liabilities	
Due within one year:	
Capital debt	347,265
Non-capital debt	850,697
Due in more than one year:	
Capital debt	1,178,659
Non-capital debt	27,819,915
Total Liabilities	<u>45,524,976</u>
NET ASSETS	
Invested in capital assets, net of related debt	40,908,898
Restricted:	
Expendable:	
General government	226,389
Debt service	2,152,962
Public safety	707,291
Public works	1,957,811
Culture and recreation	40,804
Education	9,004
Unrestricted	(20,572,834)
Total Net Assets	<u>\$ 25,430,325</u>

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,360,550	1,046,992	213,956		(4,099,602)
Public safety	4,540,897	573,102	230,118	50,559	(3,687,118)
Public works	4,801,888	880,736	928,734	1,041,140	(1,951,278)
Health and welfare	14,013,251		17,954	13,309	(13,981,988)
Culture and recreation	178,468				(178,468)
Education	54,967		253	911,268	856,554
Conservation of natural resources	122,345				(122,345)
Economic development and assistance	65,791				(65,791)
Interest on long-term debt	1,098,944				(1,098,944)
Total Governmental Activities	<u>30,237,101</u>	<u>2,500,830</u>	<u>1,391,015</u>	<u>2,016,276</u>	<u>(24,328,980)</u>
General revenues:					
Property taxes				\$	13,686,821
Road & bridge privilege taxes					411,190
Grants and contributions not restricted to specific programs					1,017,536
Unrestricted interest income					102,024
Miscellaneous					<u>1,574,059</u>
Total General Revenues					<u>16,791,630</u>
Changes in Net Assets					<u>(7,537,350)</u>
Net Assets - Beginning					<u>32,967,675</u>
Net Assets - Ending				\$	<u><u>25,430,325</u></u>

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	Major Funds					
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund	OCH Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 4,562,210	785,654	665,508	4,255,323	3,759,475	14,028,170
Cash with fiscal agent				725		725
Property tax receivable	7,323,826	1,297,064	1,692,734		2,244,537	12,558,161
Accounts receivable (net of allowance for uncollectibles of \$1,648,611)					275,374	275,374
Fines receivable (net of allowance for uncollectibles of \$6,051,103)	486,947					486,947
Loans receivable (net of allowance for uncollectibles of \$374,698)					0	0
Intergovernmental receivables	199,166				108,610	307,776
Other receivables	71,395				102,271	173,666
Due from other funds	1,454	50,159	29,456		32,178	113,247
Total Assets	\$ 12,644,998	2,132,877	2,387,698	4,256,048	6,522,445	27,944,066
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 504,815	212,061	118,947	555,633	402,415	1,793,871
Intergovernmental payables	354,167					354,167
Due to other funds	101,815				11,427	113,242
Deferred revenue	7,810,773	1,297,064	1,692,734		2,519,911	13,320,482
Unearned revenue					18,084	18,084
Amounts held in custody for others	72,676					72,676
Claims and judgments payable	251,331					251,331
Total Liabilities	9,095,577	1,509,125	1,811,681	555,633	2,951,837	15,923,853
Fund balances:						
Restricted for:						
General government					226,389	226,389
Public safety					707,291	707,291
Public works		623,752	576,017		482,668	1,682,437
Health and welfare				3,700,415		3,700,415
Culture and recreation					40,804	40,804
Education					9,004	9,004
Debt service					2,104,452	2,104,452
Unassigned	3,549,421					3,549,421
Total Fund Balances	3,549,421	623,752	576,017	3,700,415	3,570,608	12,020,213
Total Liabilities and Fund Balances	\$ 12,644,998	2,132,877	2,387,698	4,256,048	6,522,445	27,944,066

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,020,213
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$55,513,606.	42,434,822
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	762,321
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(30,196,536)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(280,150)
Deferred charges - bond issuance costs	<u>689,655</u>
Total Net Assets - Governmental Activities	\$ <u><u>25,430,325</u></u>

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund	OCH Construction Fund		
REVENUES						
Property taxes	\$ 8,128,316	983,106	1,841,378		2,734,021	13,686,821
Road and bridge privilege taxes		411,190				411,190
Licenses, commissions and other revenue	396,388	1,019	1,245		31,885	430,537
Fines and forfeitures	544,031				15,166	559,197
Intergovernmental revenues	1,033,512	1,434,772	223,951		1,732,592	4,424,827
Charges for services	101,691				1,323,384	1,425,075
Interest income	84,509	1,163	1,312	10,301	4,739	102,024
Miscellaneous revenues	196,512	3,419	1,605		1,194,821	1,396,357
Total Revenues	10,484,959	2,834,669	2,069,491	10,301	7,036,608	22,436,028
EXPENDITURES						
Current:						
General government	4,847,187				411,662	5,258,849
Public safety	3,595,111				904,503	4,499,614
Public works	103,202	2,678,057	1,764,627		1,293,649	5,839,535
Health and welfare	434,146			12,275,981	1,303,124	14,013,251
Culture and recreation	167,000				11,468	178,468
Education	54,968				1,113,626	1,168,594
Conservation of natural resources	122,345					122,345
Economic development and assistance	65,791					65,791
Debt service:						
Principal	87,709	328,442	134,673		106,875	657,699
Interest	26,576	10,313	5,785	780,715	263,392	1,086,781
Bond issue costs					56,688	56,688
Total Expenditures	9,504,035	3,016,812	1,905,085	13,056,696	5,464,987	32,947,615
Excess of Revenues over (under) Expenditures	980,924	(182,143)	164,406	(13,046,395)	1,571,621	(10,511,587)
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	67,299				58,349	125,648
Refunding bonds issued					1,220,000	1,220,000
Proceeds from sale of capital assets	9,888	380,000				389,888
Premiums on bonds issued					13,975	13,975
Transfers in					238,412	238,412
Transfers out	(225,000)				(13,412)	(238,412)
Debt service principal - refunding bonds					(1,150,000)	(1,150,000)
Total Other Financing Sources and Uses	(147,813)	380,000	0	0	367,324	599,511
Net Changes in Fund Balances	833,111	197,857	164,406	(13,046,395)	1,938,945	(9,912,076)
Fund Balances - Beginning	2,716,310	425,895	411,611	16,746,810	1,631,663	21,932,289
Fund Balances - Ending	\$ 3,549,421	623,752	576,017	3,700,415	3,570,608	12,020,213

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (9,912,076)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$3,294,365 exceeded depreciation of \$1,241,775 in the current period.	2,052,590
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$152,949 and the proceeds from the sale of \$389,888 in the current period.	(236,939)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	70,536
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	15,485
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,807,699 exceeded debt proceeds of \$1,345,648.	462,051
Under the modified accrual basis of accounting used in Governmental Funds, costs associated with the issuance of bonds are reported as expenditures. However in the Statement of Activities, the costs of issuing bonds are amortized over the life of the new bond issue.	56,688
Under the modified accrual basis of accounting used in Governmental Funds, amounts received for bond premiums are reported as other financing sources. However in the Statement of Activities, these bond premiums are amortized over the life of the new bond issue.	(13,975)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Decrease in compensated absences	13,889
Increase in accrued interest payable	(15,793)
Amortization of bond issuance costs	(33,436)
Amortization of premium on bond	3,630
Change in Net Assets of Governmental Activities	\$ <u>(7,537,350)</u>

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 245,636
Total Assets	\$ 245,636
LIABILITIES	
Amounts held in custody for others	\$ 66,909
Other liabilities	16,318
Intergovernmental payables	162,404
Due to other funds	5
Total Liabilities	\$ 245,636

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Oktibbeha County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Oktibbeha County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Oktibbeha County Hospital

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Countywide Bridge & Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

Oktibbeha County Hospital (OCH) Construction Fund – This fund is used to account for proceeds from general obligation bond issues that are restricted for construction projects at the Oktibbeha County Hospital.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as restricted, committed or unassigned. The following are descriptions of fund classifications used by the county:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$14,273,806, and the bank balance was \$14,518,801. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 1,449
General	Agency Funds	5
Countywide Road Maintenance	General	50,159
Countywide Bridge and Culvert	General	19,478
Countywide Bridge and Culvert	Other Governmental Funds	9,978
Other Governmental Funds	General	32,178
Total		\$ <u>113,247</u>

OKTIBBEHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

The receivables represent the tax revenue collected but not settled until October, 2011. The receivables of General Fund represent errors in posting revenue during the year and interest earned owed by an Agency Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 225,000
Other Governmental Funds	Other Governmental Funds	13,412
Total		<u>\$ 238,412</u>

The principal purpose of interfund transfers was to provide funds for grant matches, to close out funds, or to provide funds to pay for construction projects. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 176,322
Energy efficiency grant	101,410
City of Starkville reimbursement	8,136
Emergency management grant	4,522
Reimbursement for housing prisoners	13,380
Reimbursement for youth court expenses	<u>4,006</u>
Total Governmental Activities	<u>\$ 307,776</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2011, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Global Aircraft	03/10/02	6.50%	06/01/17	\$ 374,698
Less: Allowance for doubtful loan				(374,698)
Total				<u>\$ 0</u>

Global Aircraft filed bankruptcy in January 2008 therefore no payments have been received in the year ended September 30, 2011. An allowance for doubtful loans has been set up to reflect the uncollectibility of this loan.

OKTIBBEHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,016,113				1,016,113
Construction in progress	2,900,532	2,130,221		(1,702,872)	3,327,881
Total non-depreciable capital assets	3,916,645	2,130,221	0	(1,702,872)	4,343,994
<u>Depreciable capital assets:</u>					
Infrastructure	75,039,052	839,193		1,702,872	77,581,117
Buildings	6,322,637		107,120		6,215,517
Mobile equipment	7,557,355	181,549	645,627		7,093,277
Furniture and equipment	1,185,349	21,053	122,167		1,084,235
Leased property under capital leases	1,507,939	122,349			1,630,288
Total depreciable capital assets	91,612,332	1,164,144	874,914	1,702,872	93,604,434
<u>Less accumulated depreciation for:</u>					
Infrastructure	45,430,465	486,780			45,917,245
Buildings	2,349,246	102,225	85,696		2,365,775
Mobile equipment	5,646,887	409,200	433,443		5,622,644
Furniture and equipment	997,283	36,509	118,836		914,956
Leased property under capital leases	485,925	207,061			692,986
Total accumulated depreciation	54,909,806	1,241,775	637,975	0	55,513,606
Total depreciable capital assets, net	36,702,526	(77,631)	236,939	1,702,872	38,090,828
Governmental activities capital assets, net	\$ 40,619,171	2,052,590	236,939	0	42,434,822

*Adjustments were made to transfer construction in progress of roads and bridges completed during the fiscal year to infrastructure.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 167,524
Public safety	149,577
Public works	924,674
Total governmental activities depreciation expense	\$ 1,241,775

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Superintendent of Education Building	\$ 60,726	September 2012
County Road – Dry Creek Road	95,000	September 2012
County Road – Pat Station Road	850,000	September 2013
County Road – Vickers Road	40,000	September 2012
County Road – Wade Road	621,000	September 2013
State Aid Road – Longview Road	1,400,000	September 2014
State Aid Road – Moor High and Crawford Road	1,381,240	September 2012

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$50,000, and the aggregate policy covers all submitted claims in excess of \$950,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2010 and 2011:

	2010	2011
Unpaid Claims, Beginning of Fiscal Year	\$ 172,734	161,966
Plus: Incurred Claims (Including IBNRs)	1,486,415	1,986,927
Less: Claims Payments	1,497,183	1,897,562
Unpaid Claims, End of Fiscal Year	\$ 161,966	251,331

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Classes of Property		Governmental Activities
Mobile equipment	\$	1,484,284
Furniture and equipment		146,004
Total		1,630,288
Less: Accumulated depreciation		692,986
Leased Property Under Capital Leases	\$	937,302

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2012	\$ 210,867	6,635
2013	31,961	2,274
2014	32,407	1,194
2015	18,111	191
Total	\$ 293,346	10,294

(10) Other Postemployment Benefits.

Plan Description

The Oktibbeha County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The county's health insurance plan may be amended by the Oktibbeha County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

OKTIBBEHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(11) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
2009 Oktibbeha County Hospital	\$ 21,000,000	3.00-4.125%	11/1/2034
2010 Oktibbeha County Hospital	6,500,000	2.00-4.125%	9/1/2035
2011 Refunding bonds road and bridge construction	<u>1,220,000</u>	2.00-3.25%	3/1/2021
Total General Obligation Bonds	<u>\$ 28,720,000</u>		
B. Capital Leases:			
3 Mack dump trucks	\$ 70,131	3.15%	7/10/2012
Vibbromax compactor	15,548	3.15%	7/10/2012
Steelwheel compactor	28,355	3.12%	8/10/2012
4 motorgraders	23,754	3.12%	10/1/2011
3 Kubota tractors and Alamo clippers	36,266	3.34%	5/1/2012
Ricoh HP printer	7,118	26.77%	11/1/2012
AS400 administrative, circuit, justice court	60,700	3.34%	4/15/2015
AS400 tax office	<u>51,474</u>	3.34%	3/15/2015
Total Capital Leases	<u>\$ 293,346</u>		
C. Other Loans:			
Service Zone cap loan	\$ 184,716	5.66%	4/1/2016
Service Zone cap loan	188,841	5.66%	5/1/2016
Global Aircraft community development block grant	<u>374,732</u>	6.50%	6/1/2017
Total Other Loans	<u>\$ 748,289</u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 735,000	1,018,553	248,464	35,322
2013	750,000	997,595	120,858	28,388
2014	775,000	975,920	128,215	21,030
2015	810,000	953,394	136,023	13,221
2016	865,000	927,645	78,098	5,249
2017 – 2021	4,925,000	4,155,017	36,631	999
2022 – 2026	5,540,000	3,292,670		
2027 – 2031	7,140,000	2,205,144		
2032 – 2036	<u>7,180,000</u>	<u>640,353</u>		
Total	<u>\$ 28,720,000</u>	<u>15,166,291</u>	<u>748,289</u>	<u>104,209</u>

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 8.38% of the latest property assessments.

Current Refunding - On August 31, 2011, the county issued \$1,220,000 in general obligation refunding bonds with an average interest rate of 2.71% to refund \$1,150,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
G.O. Road and Bridge Bonds, Series 2001	4.73%	\$ 1,150,000

The county refunded the above bonds to reduce its total debt service payments over the next 10 years by almost \$88,408 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$79,763.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Balance Sept. 30, 2011	Amount due within one Year
Governmental Activities:					
Compensated absences	\$ 384,845	3,496	17,385	370,956	0
General obligation bonds	28,750,000	1,220,000	1,250,000	28,720,000	735,000
Add:					
Premiums	53,600	13,975	3,630	63,945	3,631
Capital leases	649,274	125,648	481,576	293,346	210,867
Other loans	824,412	0	76,123	748,289	248,464
Total	\$ 30,662,131	1,363,119	1,828,714	30,196,536	1,197,962

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund, Countywide Bridge Fund and 911 Emergency Fund.

(12) Deficit Fund Balance of Individual Fund.

The following fund reported a deficit in fund balance at September 30, 2011:

Fund	Deficit Amount
Sanitation and Solid Waste Fund	\$ 28,893

(13) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Oktibbeha County Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2011, is \$12,800,000.

(14) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2011</u>
Hospital revenue bonds	\$ 5,280,000

(15) Related Organizations.

The Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Oktibbeha County Economic Development Authority, but the county's accountability for this organization does not extend beyond making the appointments. During the year, the county did not appropriate any funds to this organization.

The Board of Supervisors is responsible for appointing the members of the board of the Central Drainage District, but the county's accountability for this organization does not extend beyond making the appointments. During the year, the county did not appropriate any funds to this organization.

(16) Joint Ventures.

The county participates in the following joint ventures:

Oktibbeha County is a participant with the City of Starkville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Oktibbeha County Library. The joint venture is governed by ten members, five appointed by each government. By contractual agreement, the county's appropriation to the joint venture was \$160,000 in the fiscal year 2011. Complete financial statements for the Oktibbeha County Library can be obtained from 326 University Drive, Starkville, MS 39759.

Oktibbeha County is a participant with the City of Starkville in a joint venture, authorized by Section 61-5-39, Miss. Code Ann. (1972), to operate the George M. Bryan Field (airport). The joint venture is governed by seven members, three appointed by each government and one appointed by Mississippi State University. The county's appropriation to the joint venture was \$31,928 in the fiscal year 2011.

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Oktibbeha County is a participant with the Counties of Choctaw, Clay, Lowndes, Noxubee and Webster, and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville, and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Oktibbeha County Board of Supervisors appoints one of the 38 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from P.O. Drawer DN, Mississippi State, MS 39762.

(17) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee, and Oktibbeha. The Oktibbeha County Board of Supervisors appoints two of the 12 members of the college board of trustees. The county appropriated \$774,254 for maintenance and support of the college in fiscal year 2011.

Golden Triangle Planning Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$50,000 for support of the district in fiscal year 2011.

Golden Triangle Regional Airport Authority operates in a district composed of Counties of Lowndes and Oktibbeha and the Cities of Columbus, Starkville, and West Point. The Oktibbeha County Board of Supervisors appoints one of the five members of the board of commissioners. The county provided no financial support for the authority in fiscal year 2011.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$45,441 for support of the agency in fiscal year 2011.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. These 14 members are not appointed by the county Board of Supervisors. The counties generally provide no financial support to the organization.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

(18) Defined Benefit Pension Plan.

Plan Description. Oktibbeha County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

OKTIBBEHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$656,381, \$642,675 and \$600,576, respectively, equal to the required contributions for each year.

(19) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Oktibbeha County evaluated the activity of the county through April 2, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/03/2012	1.75%	\$ 146,968	Other loan	Ad valorem taxes
01/29/2012	1.81%	395,205	Capital lease	Ad valorem taxes

On October 2, 2012, the bankruptcy court authorized the sale of the Global Aircraft Building to the City of Starkville. As a result of the sale of this building and subsequent settlement of the proceeds, on December 14, 2012, the county received sufficient funds to pay the outstanding balance on the Mississippi Development Authority Loan associated with this industry as well as accrued interest due on loan.

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 8,097,105	8,115,994	8,115,994	
Licenses, commissions and other revenue	341,700	371,035	371,035	
Fines and forfeitures	450,000	510,086	510,086	
Intergovernmental revenues	857,600	1,139,216	1,139,216	
Charges for services	90,000	89,251	89,251	
Interest income	175,000	82,675	82,675	
Miscellaneous revenues	37,200	177,877	177,877	
Total Revenues	<u>10,048,605</u>	<u>10,486,134</u>	<u>10,486,134</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	5,843,288	4,883,372	4,883,372	
Public safety	3,585,439	3,615,464	3,615,464	
Public works	92,000	98,104	98,104	
Health and welfare	262,103	430,889	430,889	
Culture and recreation	164,500	167,000	167,000	
Education	169,300	161,312	161,312	
Conservation of natural resources	122,090	122,395	122,395	
Economic development and assistance	165,008	65,141	65,141	
Debt service:				
Principal		85,539	85,539	
Interest		28,746	28,746	
Total Expenditures	<u>10,403,728</u>	<u>9,657,962</u>	<u>9,657,962</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(355,123)</u>	<u>828,172</u>	<u>828,172</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		28,654	28,654	
Transfers out	<u>(607,643)</u>	<u>(25,000)</u>	<u>(25,000)</u>	
Total Other Financing Sources and Uses	<u>(607,643)</u>	<u>3,654</u>	<u>3,654</u>	<u>0</u>
Net Change in Fund Balance	<u>(962,766)</u>	<u>831,826</u>	<u>831,826</u>	<u>0</u>
Fund Balances - Beginning	<u>962,766</u>	<u>3,272,294</u>	<u>3,272,294</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>4,104,120</u>	<u>4,104,120</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

OKTIBBEHA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,460,958	1,505,183	1,505,183	
Road and bridge privilege taxes	375,000	442,842	442,842	
Licenses, commissions and other revenue		1,019	1,019	
Intergovernmental revenues	574,500	631,204	631,204	
Interest income		821	821	
Miscellaneous revenues		3,419	3,419	
Total Revenues	<u>2,410,458</u>	<u>2,584,488</u>	<u>2,584,488</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,848,445	2,320,293	2,320,293	
Debt service:				
Principal		331,047	331,047	
Interest		7,708	7,708	
Total Expenditures	<u>2,848,445</u>	<u>2,659,048</u>	<u>2,659,048</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(437,987)</u>	<u>(74,560)</u>	<u>(74,560)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		380,000	380,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>380,000</u>	<u>380,000</u>	<u>0</u>
Net Change in Fund Balance	(437,987)	305,440	305,440	0
Fund Balances - Beginning	<u>437,987</u>	<u>479,872</u>	<u>479,872</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>785,312</u>	<u>785,312</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

OKTIBBEHA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,785,616	1,829,061	1,829,061	
Licenses, commissions and other revenue	1,000	1,245	1,245	
Intergovernmental revenues	4,000	223,951	223,951	
Interest income		1,130	1,130	
Miscellaneous revenues		1,605	1,605	
Total Revenues	<u>1,790,616</u>	<u>2,056,992</u>	<u>2,056,992</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,190,665	1,678,351	1,678,351	
Debt service:				
Principal		134,674	134,674	
Interest		5,784	5,784	
Total Expenditures	<u>2,190,665</u>	<u>1,818,809</u>	<u>1,818,809</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(400,049)</u>	<u>238,183</u>	<u>238,183</u>	<u>0</u>
Net Change in Fund Balance	(400,049)	238,183	238,183	0
Fund Balances - Beginning	<u>400,049</u>	<u>427,143</u>	<u>427,143</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>665,326</u>	<u>665,326</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

OKTIBBEHA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 OCH Construction Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	9,465	9,465	
Total Revenues	0	9,465	9,465	0
EXPENDITURES				
Current:				
Health and welfare		14,274,058	14,274,058	
Total Expenditures	0	14,274,058	14,274,058	0
Excess of Revenues over (under) Expenditures	0	(14,264,593)	(14,264,593)	0
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,000,000)			
Total Other Financing Sources and Uses	(12,000,000)	0	0	0
Net Change in Fund Balance	(12,000,000)	(14,264,593)	(14,264,593)	0
Fund Balances - Beginning	12,000,000	18,519,544	18,519,544	0
Fund Balances - Ending	\$ 0	4,254,951	4,254,951	0

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

OKTIBBEHA COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types			
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund	OCH Construction Fund
Budget (Cash Basis)	\$ 831,826	305,440	238,183	(14,264,593)
Increase (Decrease)				
Net adjustments for revenue accruals	47,105	250,181	12,499	836
Net adjustments for expenditure accruals	(45,820)	(357,764)	(86,276)	1,217,362
GAAP Basis	\$ 833,111	197,857	164,406	(13,046,395)

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SUPPLEMENTAL INFORMATION

OKTIBBEHA COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Passed-through the Mississippi Treasury Department Schools and road - grants to states	10.665	N/A	\$ 506
U.S. Department of Agriculture-Rural Development Community facilities loans and grants (Direct Award)	10.766	00-01	20,601
U.S. Department of Agriculture-Natural Resources Conservation Services Emergency watershed protection program (Direct Award)	10.923	69-4423-10-199	<u>220,000</u>
Total U.S. Department of Agriculture			<u>241,107</u>
U.S. Department of Commerce/National Tele- communications and Information Administration/Passed-through the Mississippi Wireless Communication Commission Public safety interoperable communications grant program	11.555	07PS313	<u>62,908</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program and non-entitlement grants in Hawaii *	14.228	R-110-053-01-GZ	<u>911,268</u>
U.S. Department of Labor/Passed-through the Mississippi Department of Employment Security WIA adult program	17.258	W1O-2-310-2323	<u>7,960</u>
U.S. Department of Transportation/Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 074B(53)	26,400
Highway planning and construction	20.205	STP06529B	<u>61,372</u>
Total U.S. Department of Transportation			<u>87,772</u>
U.S. Department of Energy/Passed-through the Mississippi Development Authority (ARRA) Energy efficiency and conservation block grant program	81.128	GT11-0810-0064	<u>119,728</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety Emergency management performance grants	97.042	2010-7212011	15,581
Emergency management performance grants	97.042	2011-7212012	<u>37,029</u>
Subtotal			52,610
U.S. Department of Homeland Security/Passed-through the Mississippi Department of Public Safety Homeland security grant program	97.067	09LE053	<u>30,000</u>
Total U.S. Department of Homeland Security			<u>82,610</u>
Total Expenditures of Federal Awards			\$ <u><u>1,513,353</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

OKTIBBEHA COUNTY

SPECIAL REPORTS

OKTIBBEHA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Oktibbeha County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 2, 2013. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The report is qualified on the governmental activities because the county did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Oktibbeha County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 11-1, 11-2, 11-3, 11-4 and 11-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oktibbeha County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 11-4.

We also noted certain immaterial instances of noncompliance which we have reported to the management of Oktibbeha County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 2, 2013, included within this document.

Oktibbeha County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Oktibbeha County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 2, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
Oktibbeha County, Mississippi

Compliance

We have audited the compliance of Oktibbeha County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2011. Oktibbeha County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Oktibbeha County, Mississippi's management. Our responsibility is to express an opinion on Oktibbeha County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oktibbeha County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oktibbeha County, Mississippi's compliance with those requirements.

In our opinion, Oktibbeha County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

The management of Oktibbeha County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oktibbeha County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 2, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Oktibbeha County, Mississippi

We have examined Oktibbeha County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Oktibbeha County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Oktibbeha County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Inventory Control Clerk should file inventory report by October 15.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each year. As reported in the prior year audit report, the inventory reports were not filed with the Office of the State Auditor by October 15th as required. The inventory reports had not been filed with the Office of the State Auditor on March 12, 2012. By not filing the annual reports with the proper persons, the county is not in compliance with applicable statutes.

Recommendation

The Inventory Control Clerk should file the inventory reports with the Board of Supervisors and copies should be forwarded to the Office of the State Auditor by October 15th of each year, as required by law.

Inventory Control Clerk's Response


I filed it as soon as I got the report.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Oktibbeha County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Oktibbeha County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Oktibbeha County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 2, 2013

OKTIBBEHA COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Our test results did not identify any purchases from other than the lowest bidder.

OKTIBBEHA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

OKTIBBEHA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Our test results did not identify any purchases made noncompetitively from a sole source.

OKTIBBEHA COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Oktibbeha County, Mississippi

In planning and performing our audit of the financial statements of Oktibbeha County, Mississippi for the year ended September 30, 2011, we considered Oktibbeha County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Oktibbeha County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 2, 2013, on the financial statements of Oktibbeha County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. County should use cafeteria plan providers approved by the State Auditor.

Finding

Section 25-17-9, Miss. Code Ann. (1972), specifies only cafeteria plan providers who appear on the most recent list compiled by the State Auditor shall provide administrative services related to cafeteria plans of local entities. As reported in the prior year's audit report, the cafeteria plan administrator for the county is not on the list for 2011. Failure to use approved cafeteria plan providers could result in non-compliance with Internal Revenue Service requirements promulgated in Sections 89 and 125 of the Internal Revenue Code.

Recommendation

The Board of Supervisors should consult the most recent list of cafeteria plan providers compiled by the State Auditor and select an approved plan provider to administer the county cafeteria plan.

Board of Supervisors' Response

The Board will make sure that our current cafeteria plan provider will either secure a company on the list compiled by the State Auditor or the County will be forced to select a new plan administrator to administer our cafeteria plan.

Chancery Clerk.

2. Chancery Clerk should settle excess fees to the county.

Finding

Section 9-1-43(1) Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the county's General Fund on or before April 15th for the preceding calendar year. The Chancery Clerk did not pay the fees received in excess of the \$90,000 for the 2011 calendar year to the county's General Fund as required by law. The excess fees for the 2011 calendar year were \$13,607. Furthermore, the Chancery Clerk claimed \$2,901 in expenses in 2011 for which there was insufficient documentation or was not an allowable business expense. The Chancery Clerk also claimed \$10,036 in expenses for checks that were actually dated in January 2012. After the disallowance of these expenses, the Chancery Clerk owes an additional \$12,937 in excess fees for the 2011 calendar year. Failure to settle excess fees by the required date, results in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds due to lost interest on these excess fees.

Recommendation

In the future, the Chancery Clerk should settle fees received in excess of \$90,000 by April 15th for the preceding calendar year. The Chancery Clerk should file an amended report to reflect the disallowed expenses and unreported income. The Chancery Clerk should settle the \$13,607 for 2011 excess fees and the additional amount of \$12,937 in excess fees for the 2011 calendar year to the county.

Chancery Clerk's Response

Will settle additional \$12,937 to county and file the required amended reports.

Auditor's Note

The Chancery Clerk remitted the 2011 excess fees of \$13,607 to the General Fund as evidenced by the county's receipt #20861 on May 29, 2012.

The additional amount of \$12,937 in excess fees for the 2011 calendar year fees has not been settled and has been referred to the Investigative Division of the Office of the State Auditor for collection.

Tax Assessor-Collector.

3. Tax Assessor-Collector should obtain approval from Board of Supervisors before making changes in assessments.

Finding

Sections 27-35-143 through 27-35-149, Miss. Code Ann. (1972), prescribe the procedures to be followed for making changes in assessments. As reported in the last five years' audit reports, the Tax Assessor-Collector made changes in assessments without prior approval from the Board of Supervisors. Failure to follow proper procedures increases the potential for changes in assessments to be made for improper reasons.

Recommendation

The Tax Assessor-Collector should comply with the approval provisions of the law before making assessment changes.

Tax Assessor-Collector's Response

The prior Tax Assessor-Collector has chosen not to respond.

4. Tax Assessor-Collector should present a report of insolvent and delinquent taxpayers to the Board of Supervisors.

Finding

Section 27-49-1, Miss. Code Ann. (1972), requires the Tax Assessor-Collector to present to the Board of Supervisors at its meeting on the first Monday of October in each year, a report of all insolvent and delinquent taxpayers in the county, with the amount due from each. As reported in the last five years' audit reports, the Tax Assessor-Collector did not present the required report to the Board of Supervisors. Failure to comply with the law could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should present to the Board of Supervisors the report of insolvent and delinquent taxpayers each year as required by statute.

Tax Assessor-Collector's Response

The prior Tax Assessor-Collector has chosen not to respond.

The Mississippi Office of the State Auditor has taken exception to certain costs. The detail of the exception and disposition is as follows:

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding #2 described in this report.

Amount of Exception:

\$ 12,937

Disposition of Exception:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

Oktober County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 2, 2013

OKTIBBEHA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Discretely presented component unit	Adverse
General Fund	Unqualified
Countywide Road Maintenance Fund	Unqualified
Countywide Bridge and Culvert Fund	Unqualified
OCH Construction Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiencies identified? None Reported
3. Noncompliance material to the financial statements noted? Yes

Federal Awards:

4. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? None Reported
5. Type of auditor's report issued on compliance for major federal program: Unqualified
6. Any audit finding disclosed that is required to be reported in accordance with Section ____510(a) of OMB Circular A-133? No
7. Federal program identified as major program:

Community development block grants/state's program and non-entitlement grants in Hawaii CFDA #14.228
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

OKTIBBEHA COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

11-1. Component unit should be included in county's financial statements.

Finding

Generally accepted accounting principles require the financial data of the county's component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. As reported in the prior three years' audit reports, the financial statements do not include the financial data for the county's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component unit for inclusion in the county's financial statements.

Board of Supervisors' Response

Traditionally the Board has chosen to omit the component units in our financial statements. The Board will provide any and all financial data the office of State Audit requires for inclusion in the county's financial statements.

Material Weakness

11-2. County should record liability for postemployment benefits.

Finding

Oktibbeha County provides health insurance coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool, and offers retirees health insurance benefit coverage through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as an agent multiple employer health care plan. GASB Statement No. 45 requires the county to report on an accrual basis the liability associated with other postemployment benefits. However, as reported in the prior two years' audit reports, the county has not recorded a liability for other postemployment benefits, nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities. The county does not issue a publicly available financial report for their health insurance plan.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

OKTIBBEHA COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Board of Supervisors' Response

The Board cannot afford to have an actuarial valuation performed annually. The Board has been relying on an actuarial valuation done by MPEEBT on an annual basis. However if MPEEBT fails to provide the State Department of Audit with the proper actuarial valuation, the Board will be forced to provide the proper actuarial information so that the appropriate disclosures can be provided for the end users.

Material Weakness

11-3. County should prepare their financial statements.

Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. As reported in the prior four years' audit reports, management did not have personnel who possessed the necessary training to prepare financial statements in accordance with generally accepted accounting principles. Oktibbeha County's accounting records are maintained on the cash basis and the auditors assisted the county in the preparation of accrual entries and assisted in the drafting of the primary government financial statements. However, the County has made all management decisions including approving accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation; evaluating the adequacy and results of the services performed and accepting responsibility for the results of the services.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements and note disclosures are prepared in accordance with generally accepted accounting principles.

Board of Supervisors' Response

The Board has established adequate controls and procedures that ensure our financial statements and note disclosures are prepared in accordance with generally accepted good accounting principles thru the guidance of our State Department of Audit.

Tax Assessor-Collector.

Material Weakness

Material Noncompliance

11-4. Bids on land sale should be collected and deposited on the day of the land sale.

Finding

Section 27-41-59, Mississippi Code Ann. (1972), specifies that the Tax Collector shall proceed to sell, for the payment of taxes then remaining due and unpaid, together with all fees, penalties and damages provided by law, the land or so much and such parts of the land of each delinquent taxpayer to the highest and best bidder for cash as will pay the amount of taxes due by him and all costs and charges. Section 27-41-73, Miss. Code Ann. (1972), requires the Tax Collector to offer the land for sale again if the purchaser at the tax sale does not immediately pay the amount of his bid. If someone else does not bid it shall be struck off to the state, as in other cases; but the first purchaser shall be liable for the amount of his bid, to be collected by suit by Tax Collector in the name of the state. The Tax Collector shall notify the Chancery Clerk when the bid is collected and the Chancery Clerk shall move the parcel from the land sold to state list to lands sold to individuals list and treat it as lands sold to individuals. We noted the following deficiency when performing a cash count in the Tax Collector's office on September 1, 2011. Deposits were not made timely for collections from the August 29, 2011 land sale. The Tax Collector still had \$1,106,223.30 in cash and checks on hand in the safe on September 12, 2011 from the land sale. There were 27 signed checks on hand with no dollar amounts written on the checks included in the collections of \$715,954.62.

OKTIBBEHA COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Cash collected was short a total of \$102.02 as documented on the envelopes for individual purchaser's. Failure to immediately collect bids and deposit those bids could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that all bids are collected at the time of the sale and deposited timely.

Tax Assessor-Collector's Response

The former Tax Assessor-Collector chose not to respond.

Material Weakness

11-5. Internal controls over tax collections and settlements should be strengthened.

Finding

An effective system of internal control over tax collections should include an adequate separation of duties, the maintenance of and reconciliation of records documenting daily collections and adequate physical safeguards over cash collections. Controls were inadequate over cash. Cash collection and disbursement functions were not adequately separated for effective internal controls.

As reported in the last five years' audit reports the following deficiencies were noted:

- a. The bookkeeper and assistant bookkeeper collected money as well as performed recording and disbursing functions.
- b. The assistant bookkeeper also added the receipts and made the bank deposit.
- c. The safe was left unlocked during the day. Duplicate keys to the cash drawers were not adequately secured.
- d. The check-up sheet to verify the daily collection was not completed until after the deposit was made.
- e. Mobile home ad valorem taxes were collected down the hall from the tax office by one individual without any physical oversight.
- f. Each clerk balanced their own cash drawer without the oversight of another clerk.
- g. The Tax Assessor-Collector was frequently absent from the office making it difficult for the auditors to obtain needed information and reducing oversight of the staff.

As reported in the last two year's audit reports, the following deficiency was noted:

- h. Decals were not adequately safeguarded.

As reported in the prior year's audit report, the following deficiency was noted:

- i. The NSF check log total was \$9,443.45 less than the NSF checks reported on the September 1, 2011 cash journal.

OKTIBBEHA COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

We also noted the additional deficiency in the current fiscal year:

- j. The cash count performed on April 2, 2012 was short \$41,420.30 which includes unsettled amounts from the November 2011 collections of \$25,637.54 due to the City of Starkville. Subsequent to the cash count date, \$738.63 in bad checks was collected by the District Attorney's office.

Failure to implement adequate controls over the collection, recording and disbursement functions as well as implementing necessary physical safeguards could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions. She should also ensure that records documenting daily collections are properly maintained and reconciled to the daily deposits and that controls are in place to properly safeguard cash collections. The Tax Assessor-Collector should pay the amount of the shortage to the county so that all collections can be properly settled.

Tax Assessor-Collector

The former Tax Assessor-Collector chose not to respond.

Auditor's Note

This matter has been referred to the Investigative Division of the Office of the State Auditor.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.